



STATE OF NEVADA

A REPORT TO OUR CITIZENS

FOR FISCAL YEAR ENDING JUNE 30, 2009

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THE NEVADA VISION

Nevada's leaders will work to protect the health and welfare of its communities by promoting a healthy economy, a business-friendly environment and excellent schools.

PLANS FOR THE FUTURE

Ensure a Healthy Economy

- Maintain a business-friendly environment
- Diversify Nevada's economy
- Establish a stable revenue base

Provide First-Rate Education for All Nevadans

- Enable schools to determine the needs of their students
- Recruit and retain the highest-quality teachers

Lead in Alternative Energy Development

- Solar Power Generation
- Geothermal Power Generation
- Wind Power Generation



DEMOGRAPHIC INFORMATION

	Calendar Year 2007	Calendar Year 2008
Population	2,565,382	2,600,167
Per Capita Income	40,480	40,353
Visitor Volume	58,847,240	51,590,250
	Fiscal Year 2008	Fiscal Year 2009
Public School Enrollment	436,778	431,309
State Government Employees	27,074	26,452
Unemployment Rate	6.7%	12.5%



To see additional information, visit: controller.nv.gov

NEVADA'S PROGRESS

IN FISCAL YEAR 2009



ECONOMY:

The Nevada mining industry set an all-time record in 2008 for a total mined commodities value of \$6.1 billion. That is an increase of \$0.7 billion over 2007. The mineral tax revenue from mining in FY 2009 increased to over \$145 million. While many industries lost jobs, the number of mining jobs grew slightly to 10,000. Nevada continues to be the top gold producing state. Our mines contributed 77% of the U.S gold production and 8% of total world production. Only China, South Africa, and Australia produced more gold than the State of Nevada.

CONSERVATION:

ALTERNATIVE ENERGY DEVELOPMENT

Solar – Nevada continues to move forward with solar power projects to take advantage of the vast solar resources that are available. There are five solar projects in Nevada currently in operation that generate more than 81 megawatts of power. A 960 megawatt solar thermal power plant project just 55 miles northeast of Las Vegas was recently announced with construction set to begin by the end of 2010. The U.S. Interior Department is also using American Recovery and Reinvestment Act (ARRA) money to identify the best solar sites on public land in the west, including Nevada, for large-scale utility development of more than 100 gigawatts of power, which is enough to power 30% of all U.S. homes.

Geothermal – Nevada ranks second in the continental United States in geothermal resources. Currently there are 21 geothermal power plants, up from 15 over last year, producing 448 megawatts of power. Another 3 plants are under construction that will produce 51 megawatts of power. There are also 61 plants in various stages of development, site identification, exploration drilling, and permit acquisition that will be able to produce an incredible 3,422 megawatts of power when completed over the next several years.

Wind – A wind-powered electrical generation project is underway on the Nevada/Idaho border near Jackpot, Nevada. The China Mountain project, which will generate 425 megawatts, is expected to be approved by the federal government in 2010 and will begin operations in 2012. Several additional wind power generation sites are being tested, evaluated and considered in both central and southern Nevada.

The growth of renewable energy industries will not only create high-paying and stable jobs, but will also create a new source of revenue that will help to diversify and stabilize Nevada's tax base.

PERFORMANCE MEASURE HIGHLIGHTS

	FY 08	FY 09	Goal
Reduce highway fatalities by 100 lives	326	278	226
100% of State roads—fair or better condition	76.0%	74.0%	100.0%
Nevada's national ranking of freeway miles congested	37 th	40 th	25 th
Graduation rates	67.4%	68.7%	74.8%
Expenditures per pupil	\$ 7,135	\$ 7,742	\$ 9,963

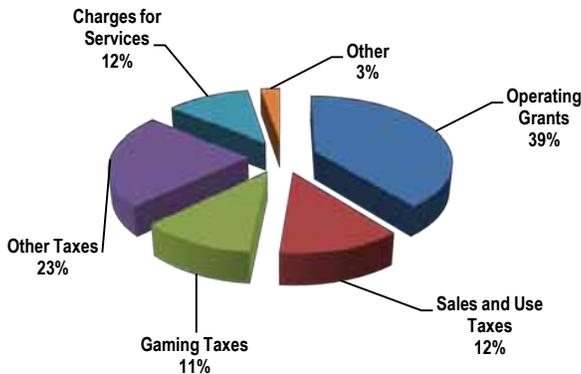


NEVADA'S FINANCES

REVENUES AND EXPENSES

PRIMARY GOVERNMENT SOURCES OF REVENUE

FY 2009 REVENUES BY SOURCE



Revenues by Source Expressed in Thousands	2008 Revenue	2009 Revenue	% Change
Operating Grants	\$ 2,070,650	\$ 3,069,582	48.24%
Sales and Use Taxes	1,101,741	943,787	-14.34%
Gaming Taxes	1,011,506	883,054	-12.70%
Other Taxes	1,931,806	1,791,644	-7.26%
Charges for Services	901,599	900,137	-0.16%
Other	243,028	209,720	-13.71%
Total Revenues	\$ 7,260,330	\$ 7,797,924	7.40%

Notes

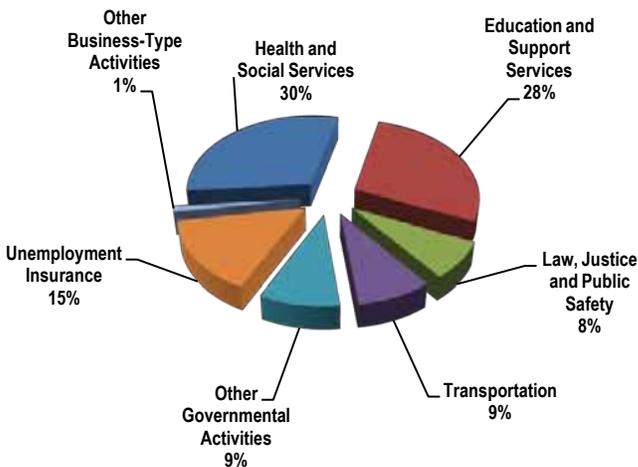
Operating Grants – Primarily federal grants for various state programs.

Other Taxes – Includes modified business tax, insurance premium tax, motor and special fuel tax, property and transfer tax.

Charges for Services – Includes inspections, licensing, permits, and fees.

PRIMARY GOVERNMENT FUNCTIONAL EXPENSES

FY 2009 EXPENSES BY FUNCTION



Expenses by Function Expressed in Thousands	2008 Expenses	2009 Expenses	% Change
Health and Social Services	\$ 2,454,843	\$ 2,667,419	8.66%
Education and Support Services	2,381,731	2,475,416	3.93%
Law, Justice and Public Safety	650,657	687,410	5.65%
Transportation	576,815	762,610	32.21%
Other Governmental Activities	869,399	813,050	-6.48%
Unemployment Insurance	439,632	1,336,043	203.90%
Other Business-Type Activities	105,652	107,471	1.72%
Total Expenses	\$ 7,478,729	\$ 8,849,419	18.33%

Notes

Other Governmental Activities – Regulation of business, recreation and resource development, general government.

Other Business-Type Activities – Housing, workers' compensation, higher education.

An independent audit of the State's financial statements resulted in an unqualified audit opinion. Financial information is prepared according to Generally Accepted Accounting Principles (GAAP).



To see the Comprehensive Annual Financial Report, visit: controller.nv.gov

WHAT'S NEXT?

FUTURE CHALLENGES AND ECONOMIC OUTLOOK

ECONOMIC CHALLENGES:

Nevada state government experienced a \$1 billion revenue shortfall due to the continued economic downturn in the 2008-2009 budget years. Revenues for 2010-2011 budget years are expected to be \$5.503 billion, which is \$1.309 billion less than the original amount budgeted two years earlier. These shortfalls have translated into dramatic reductions in government services and programs throughout the state, both in the short term and long term. State employees are being furloughed, DMV offices are consolidating, welfare caseloads are increasing, and unemployment benefits and service demands are increasing. College fees are increasing while demand for college classes are increasing, and much-needed infrastructure projects are being delayed or cancelled. The demand for services from the state continues to climb, but the economy has made it difficult for the state to provide those needed services due to staff and budget cutbacks.

The gaming industry continues to be in the midst of what is its most severe downturn ever. The gaming win is down by almost 14% from the previous year. Visitor volume is down and the amount spent per visitor is decreasing. Hotel occupancy is down 6.1% from 2008. The number of visitors to Nevada decreased from 58,847,240 in 2007 to 51,590,250 in 2008, or a 12.3% total decrease. The weak national economy, higher unemployment rates, higher foreclosure rates and increased competition for gaming customers all are seen as contributing to falling revenues for the gaming industry.

Unemployment in Nevada as of June 2009 is 12.1%, almost double from June 2008 and well above the national average of 9.7%. Two very large employment segments, leisure/hospitality and construction, are down dramatically with no quick turnaround expected in the near future. The construction industry indicates that the average construction worker can expect no new projects due to overbuilding and decreased property values, which affects many of the other employment segments. Millions of dollars have been distributed from the ARRA funds for unemployment benefits, but the need is great and there continues to be a lack of jobs for those looking for work. Nevada continues to have the highest foreclosure rate in the country. Foreclosure activity January–June 2009 was up 61.3% over the same period in 2008. There were over 180,535 foreclosure filings from July 2008 to June of 2009 in Nevada. We will continue to see a significant impact on our economy in 2010 and the foreseeable future because of Nevada having a very high rate of subprime and adjustable rate mortgages. A large number of adjustable rate home loans are set to readjust to a higher interest rate, and homeowners will be unable to refinance due to job loss or being upside down on their mortgages. In order to have a more stable future, Nevada needs a more educated population and diverse economy.

EDUCATION:

For the first time in 3 years, Clark County School District did not achieve Adequate Yearly Progress, which is a designation of the federal No Child Left Behind program. Nevada continues to have one of the lowest high school graduation rates in the country with just 68.7% graduating in 2008 after four years of school. The Nevada System of Higher Education projects yearly decreases in the percentage of Nevadans who will enroll in higher education, from only 6.34% to 6.15% over the next 5 years. This decrease means it will be difficult for Nevada to diversify its business base and attract businesses that require employees with higher education. The state budget shortfall is pushing the education systems to their limits because there is no additional funding to address these problems. Administrators, teachers and parents will have to use existing resources or creatively find funding sources to prepare the rising generation of Nevadans. We will also need to solve the societal problems that accompany a less educated population if we don't act now. A lack of an educated population will have long-term effects on all segments of Nevada society and economy.

INTERGOVERNMENTAL FINANCIAL DEPENDENCY AND RELATED RISKS:

With the looming federal fiscal crisis, Nevada is at risk as well. The following reflects some of Nevada's dependence on federal funds:

- ➡ Federal revenues to Nevada: \$3.77 billion or 48% of all revenues to the State.
- ➡ Federal grants from the State of Nevada to local governments: \$615 million – 55% to K-12 education, 34% to public welfare.
- ➡ Major contributing federal departments: Labor, 35.3%; Health and Human Services, 31.6%; Agriculture, 10.6%; Education, 10%; Transportation, 9.3%.
- ➡ 2008 to 2009 increased federal revenue: \$1.37 billion total, including \$841 million increase in unemployment insurance, \$146 million increase in Medicaid assistance, \$139 million increase in education programs, \$110 million increase in transportation programs, \$95 million increase in nutrition programs, and \$39 million net increase in various other programs.
- ➡ Amount of federal debt held by the State of Nevada and its counties and cities in investments: \$6.7 billion of the \$11.5 trillion total Federal debt.

*We want to hear from you! Do you believe this report should include any other information?
Please contact: Kim Wallin, State Controller at (775) 684-5632*